

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 4 — 0 3

2. STATE:

Virginia

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 4, 2004

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447

7. FEDERAL BUDGET IMPACT:

a. FFY 2004 \$ -- 0 --

b. FFY \$

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, Page 1.1 of 23

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Same

10. SUBJECT OF AMENDMENT:

Technical change to Inpatient Hospital Lump Sum Percentage.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED: Secretary, Health and
Human Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Patrick W. Finnerty

14. TITLE:

Director, DMAS

15. DATE SUBMITTED:

February 2, 2004

16. RETURN TO:

Department of Medical Assistance Services
600 East Broad Street, Suite 1300
Richmond, Virginia 23219

Attn.: Regulatory Coordinator

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

FEB - 9 2004

18. DATE APPROVED:

MAY - 3 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JAN - 4 2004

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

William Lasowski

22. TITLE:

Acting Deputy Director, CMSO

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT SERVICES

2. Determine base for revenue forecast:
 - a. The Department of Medical Assistance Services (DMAS) shall use, as a base for determining the payment reduction distribution for hospitals Type I and Type II, net Medicaid inpatient operating reimbursement and out patient reimbursed cost, as recorded by the DMAS for state fiscal year 1999 from each individual hospital settled cost reports. This figure is further reduced by 18.73%, which represents the estimated state wide HMO average percent of Medicaid business for those hospitals engaged in HMO contracts, to arrive at net baseline proportion of non-HMO hospital Medicaid business.
 - b. For freestanding psychiatric hospitals, the DMAS shall use estimated Medicaid revenues for the 6 month period (1-1-01 through 6-30-01), times two, and adjusted for inflation by 4.3% for state fiscal '02, 3.1% for state fiscal '03, and 3.7% for state fiscal '04 as reported by DRI-WEFA, Inc.'s hospital input price level percentage moving average.
3. Determine forecast revenue:
 - a. Each Type I hospital's individual state fiscal '03 & '04 forecast reimbursement is based on the proportion of non-HMO business (see 2. a. above) with respect to DMAS forecast of SFY '03 & '04 inpatient and out patient operating revenue for Type I hospitals.
 - b. Each Type II, including freestanding psychiatric, hospital's individual state fiscal '03 & '04 forecast reimbursement is based on the proportion of non-HMO business (see 2. a. and 2. b above) with respect to the DMAS forecast of SFY '03 & '04 inpatient and out patient operating revenue for Type II hospitals.
4. Each hospital's total yearly reduction amount is equal to their respective state fiscal '03 and '04 forecast reimbursement as described above in 3a and 3b times 3.235857 percent for state fiscal '03 and 3.235857 percent, for the first two quarters of state fiscal '04 and 2.88572 percent for the last two quarters of state fiscal year '04, not to be reduced by more than \$500,000 per year.

TN No. 04-03Approval Date MAY - 3 2004Effective Date 01/04/04

Supersedes

TN No. 02-14

HCFA ID: